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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation.

LOK SABHA

The following Bill was introduced in Lok Sabha on 16th August, 1995:—

BILL No. 51 OF 1995

A Bill further to amend the State Bank of India (Subsidiary Banks) Act, 1959, the State Bank of Hyderabad Act, 1956 and the State Bank of Saurashtra Act, 1950.

BE it enacted by Parliament in the Forty-sixth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

1. This Act may be called the State Bank of India (Subsidiary Banks) Amendment Act, 1995. Short title.

CHAPTER II

AMENDMENTS TO THE STATE BANK OF INDIA (SUBSIDIARY BANKS) ACT, 1959

2. In Chapter II of the State Bank of India (Subsidiary Banks) Act, 1959 (hereafter in this Chapter referred to as the Subsidiary Banks Act), for the heading "Constitution of NEW BANKS and CHANGE of name of any Subsidiary Bank", the following heading shall be substituted, namely:— Substitution of new heading for heading of Chapter II.

38 of 1959.

"CONSTITUTION OF NEW BANKS, CHANGE OF NAME AND SHARE CAPITAL OF SUBSIDIARY BANKS".

Substitution of new section for section 6.

3. For section 6 of the Subsidiary Banks Act, the following section shall be substituted, namely:—

Authorised capital of subsidiary banks.

"6. (*1*) Subject to the provisions of this Act, the authorised capital of every subsidiary bank shall be rupees one hundred crores.

(*2*) The authorised capital of every subsidiary bank shall be divided into shares of ten rupees each.

(*3*) Notwithstanding anything contained in this section, the State Bank may, with the approval of the Reserve Bank, authorise a subsidiary bank to increase or reduce its authorised capital:

Provided that where the authorised capital is so increased, the shares issued shall be of the denomination specified in sub-section (*2*).".

Amendment of section 7.

4. In section 7 of the Subsidiary Banks Act, sub-sections (*4*) and (*5*) shall be omitted.

Insertion of new section 7A.

5. After section 7 of the Subsidiary Banks Act, the following section shall be inserted, namely:—

Increase or reduction of issued capital of subsidiary banks.

"7A. (*1*) Without prejudice to the provisions contained in sub-section (*3*) of section 7 relating to new banks, a subsidiary bank may, with the approval of the State Bank and the Reserve Bank, increase from time to time including by way of issuing bonus shares to existing shareholders, its issued capital and the capital so increased shall consist of paid-up shares to be issued in such manner as the State Bank may, with the approval of the Reserve Bank, direct.

(*2*) No increase or reduction in the issued capital of a subsidiary bank shall be made in such a manner that the State Bank holds at any time less than fifty-one per cent. of the issued capital of that bank.

(*3*) A subsidiary bank may accept the money in respect of shares issued towards increase in issued capital in instalments, forfeit unpaid shares and re-issue them as may be prescribed.".

Amendment of section 18.

6. In section 18 of the Subsidiary Banks Act,—

(*a*) for sub-section (*1*), the following sub-sections shall be substituted, namely:—

"(*1*) Save as otherwise provided in sub-section (*2*) and subject to the provisions of the Securities Exchange Board of India Act, 1992 as applicable to securities as defined in section 2 of the Securities Contracts (Regulation) Act, 1956 and any other law for the time being in force, the shares of a subsidiary bank shall be freely transferable. 15 of 1992. 42 of 1956.

(*1A*) Every shareholder of a subsidiary bank holding shares in the denomination of one hundred rupees immediately before the commencement of the State Bank of India (Subsidiary Banks) Amendment Act, 1995 shall be entitled to have the certificates of shares of equivalent value in the denomination of ten rupees in accordance with the procedure specified by the subsidiary bank in this behalf.";

(*b*) *in sub-section* (*2*), for the word "fifty-five", the word "fifty-one" shall be substituted.

Substitution of new section for section 19.

7. For section 19 of the Subsidiary Banks Act, the following section shall be substituted, namely:—

Restrictions on voting rights.

"19. No shareholder, other than the State Bank, shall be entitled to exercise voting rights in respect of any shares held by such person in excess of ten per cent. of the issued capital of the subsidiary bank concerned:

Provided that such shareholder shall be entitled to exercise voting rights at such higher percentage as the Central Government may, after consultation with the Reserve Bank, specify.".

Amendment of section 20.

8. In section 20 of the Subsidiary Banks Act, for the words and figures 'Banking Companies Act, 1949", the words and figures "Banking Regulation Act, 1949" shall be substituted.

Amendment of section 21.

9. Section 21 of the Subsidiary Banks Act shall be re-numbered as sub-section (*1*) thereof, and—

(*a*) in sub-section (*1*) as so re-numbered, for the words "at its head office", the words "at any place within the city or town where its head office is situated" shall be substituted;

(*b*) after sub-section (*1*) as so re-numbered, the following sub-sections shall be inserted, namely:—

"(*2*) Notwithstanding anything contained in sub-section (*1*), it shall be lawful for a subsidiary bank to keep the register in computer floppies or diskettes subject to such safeguards as may be prescribed.

1 of 1872. (*3*) Notwithstanding anything contained in the Indian Evidence Act, 1872, a copy of, or extract from, the register of shareholders, certified to be a true copy under the hand of an officer of the subsidiary bank authorised in this behalf, shall, in all legal proceedings, be admissible in evidence.".

Amendment of section 22.

10. In section 22 of the Subsidiary Banks Act, the words and figures "Notwithstanding anything contained in section 19," shall be omitted.

Amendment of section 25.

11. In section 25 of the Subsidiary Banks Act,—

(*a*) in sub-section (*1*),—

(*A*) for clause (*a*), the following clause shall be substituted, namely:—

"(*a*) the chairman to be appointed by the State Bank with the approval of the Reserve Bank:

Provided that until such appointment is made or in the absence of any such chairman appointed, the chairman of the State Bank shall exercise the powers and discharge the duties of the chairman;";

(*B*) for clause (*d*), the following clause shall be substituted, namely:—

"(*d*) directors to be elected in the prescribed manner by the shareholders, other than the State Bank, where the paid-up capital held by such shareholders is—

(*i*) not more than ten per cent. of the total paid-up capital, not more than two directors,

(*ii*) not more than twenty-five per cent. of the total paid-up capital, not more than three directors,

(*iii*) more than twenty-five per cent. of the total paid-up capital, not more than four directors:

Provided that if the total amount of the holdings of all such shareholders registered in the ooks of the subsidiary bank three months before the date fixed for election is below five per cent. of the total paid-up capital, or if there are no shareholders other than the State Bank registered on the books of the subsidiary bank, the directors to be elected by the shareholders shall be nominated by the State Bank and such directors shall, for the purposes of this Act, be deemed to be directors elected under this clause;";

(*b*) after sub-section (*1*), the following sub-section shall be inserted, namely:—

"(*1A*) The terms and conditions of appointment of, and the Renuneration payable to, the chairman of every subsidiary bank shall be such as may be determined by the State Bank with the approval of the Reserve Bank.".

Amendment of section 27.

12. In section 27 of the Subsidiary Banks Act, in sub-section (*5*), in clause (*a*), for the words and figures "Banking Companies Act, 1949", the words and figures "Banking Regulation Act, 1949" shall be substituted.

Amendment of section 34.

13. In section 34 of the Subsidiary Banks Act, in sub-section (*2*), for the words "The chairman of the State Bank", the words "The chairman of the Board of Directors" shall be substituted.

Amendment of section 38.

14. In section 38 of the Subsidiary Banks Act, in sub-section (*10*), in clause (*a*), for the words and figures "Banking Companies Act, 1949", the words and figures "Banking Regulation Act, 1949" shall be substituted.

Amendment of section 48.

15. In section 48 of the Subsidiary Banks Act, in sub-section (*2*), for the words and figures "Indian Income-tax Act, 1922", the words and figures "Income-tax Act, 1961" shall be substituted. 11 of 1922. 43 of 1961.

Amendment of section 55.

16. In section 55 of the Subsidiary Banks Act, for the words and figures "Banking Companies Act, 1949", the words and figures "Banking Regulation Act, 1949" shall be substituted.

Amendment of section 63.

17. In section 63 of the Subsidiary Banks Act, in sub-section (*2*),—

(*i*) after clause (*f*), the following clause shall be inserted namely:

"(*fa*) the conditions of payment of share-money in instalments and the manner of forfeiture of unpaid shares and their re-issue;";

(*ii*) in clause (*g*), after the word and figures "section 21", the words "the safeguards to be observed in the maintenance of the register on computer floppies or diskettes", shall be inserted.

CHAPTER III

AMENDMENTS TO THE STATE BANK OF HYDERABAD ACT, 1956

Omission of section 9.

18. In the State Bank of Hyderabad Act, 1956 (hereafter in this Chapter referred to as the Hyderabad Bank Act), section 9 shall be omitted. 1956. 79 of

Amendment of section 10.

19. In section 10 of the Hyderabad Bank Act, sub-section (*3*) shall be omitted.

CHAPTER IV

AMENDMENTS TO THE STATE BANK OF SAURASHTRA ACT, 1950

Omission of section 5.

20. In the State Bank of Saurashtra Act, 1950 (hereafter in this Chapter referred to as the Saurashtra Bank Act), section 5 shall be omitted.

Amendment of section 6.

21. In section 6 of the Saurashtra Bank Act, sub-section (*3*) shall be omitted.

STATEMENT OF OBJECTS AND REASONS

Under the provisions of the State Bank of India (Subsidiary Banks) Act, 1959, the State Bank of Hyderabad Act, 1956 and the State Bank of Saurashtra Act, 1950, the power to increase the authorised capital of the subsidiary banks with the approval of the Reserve Bank of India is vested with the State Bank of India. There is a restriction on individual holdings of shares up to 200. In order to meet certain norms for income recognition and provisioning and also for capital adequacy in relation to risk weighted assets prescribed by the Reserve Bank of India, it is necessary to expand the capital base of the subsidiary banks by increasing their authorised capital as well as issued capital.

2. Augmentation of capital resources of the subsidiary banks is expected to be achieved through wider and better participation of the general public, keeping a majority holding of fifty-one per cent. of shares by the State Bank of India. In accordance with the wide market acceptability, the face value of share has to be fixed at rupees ten each from rupees hundred each as at present. In accordance with the guidelines for issue of shares by companies issued by the Securities and Exchange Board of India (SEBI), there is a necessity to provide for subscriptions for shares to be called in instalments and consequently make provision for forfeiture of unpaid shares. It is also necessary to subject the transfer of shares amenable to SEBI's restrictions, as the existing provisions provide for free transferability of the shares except for maintaining the majority holding of the State Bank. With the increase in capital and wider participation in equity by the investing public larger volume of transactions in the shares of subsidiary banks through various stock exchanges in the country is expected. In order to facilitate the transactions in shares and to streamline and smoothen the share registry function with the help of current technological advancement, computerisation of the register of share holders is also desirable. While the Chairman of State Bank is the *ex officio* Chairman of the subsidiary banks, a provision is also proposed to be made for appointment of Chairman of any subsidiary bank, who shall be the Chairman of the Board of Directors.

3. The Bill, *inter alia*, provides for the following, namely:—

(i) To increase the authorised capital of every subsidiary bank to Rs. 100 crores.

(ii) To remove the ceiling on individual share holdings of 200 shares and to increase the ceiling on voting rights to ten per cent. of the issued capital with power to the Central Government to relax.

(iii) To specify the face value of a share at Rs. 10.

(iv) Provision for making calls and forfeiture of shares, issue of bonus shares, etc.

(v) A provision for maintaining register of shares on computer floppies or diskettes subject to such safeguards as may be prescribed by regulations.

(vi) To provide for appointment of Chairman of every subsidiary bank, who shall be the Chairman of the Board of Directors.

4. The Bill seeks to achieve the above objects.

NEW DELHI;

The 31st July, 1995. M. V. CHANDRASHEKARA MURTHY.

MEMORANDUM REGARDING DELEGATED LEGISLATION

Clause 5 of the Bill seeks to insert a new section 7A in the State Bank of India (Subsidiary Banks) Act, 1959 empowering the State Bank to make regulations regulating the payment of share money in instalments and the manner of forefeiture of unpaid shares and their reissue. Clause 9 of the Bill seeks to amend section 21 of the Act empowering the subsidiary banks to keep the register of shares in computer floppies or diskettes subject to such safeguards as may be prescribed by regulations. Clause 11 of the Bill seeks to amend section 25 of the Act empowering the State Bank to make regulations regarding the manner of election of directors.

2. Clause 17 of the Bill seeks to amend section 63 of the Act which empowers the State Bank, with the approval of the Reserve Bank, to make regulations. The amendments to section 63 are consequential to the amendments mentioned above.

3. The matters in respect of which regulations may be made under the aforesaid provisions are matters of procedure and administrative details. The delegation of legislative power is, therefore, of a normal character.

DR. R. C. BHARDWAJ,
Secretary-General.

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